

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-01 INR-07
NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02 LAB-04
SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 PM-04 H-02
L-03 PA-02 PRS-01 /089 W
-----290841Z 107624 /14

R 261126Z JAN 77

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 1466

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

USINT BAGHDAD

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMCONSUL JERUSALEM

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY SANAA

AMEMBASSY TEL AVIV

DIA WASHDC

USDOC WASHDC

USIA WASHDC

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DEPT PASS USAID

E.O. 11652: N/A

TAGS: ECON, SY

SUBJECT: 1977 SYRIAN BUDGET

1. SUMMARY: PRIME MINISTER KHULAYFAWI ANNOUNCED JANUARY 19
A SYRIAN BUDGET OF 17.048 BILLION SYRIAN POUNDS. CURRENT OPERATING
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EXPENDITURES CLAIM 6.64 BILLION SP, AND 10.4 BILLION SP ARE
EARMARKED FOR ECONOMIC DEVELOPMENT. ALTHOUGH THE PRIME MINISTER
CLAIMED ANTICIPATED REVENUES IN 1977 WILL MATCH EXPENDITURES,
THE BUDGET PROBABLY IS MORE OF A STATEMENT
OF THE MIXIMUM SYRIA WOULD LIKE TO DO IF SUFFICIENT
REVENUES WERE FORTHCOMING, RATHER THAN A PLAN BASED
CAREFULLY UPON PROBABLE INCOME THIS YEAR. END SUMMARY.

2. PRIME MINISTER KHULAYFAWI PRESENTED SARG 1977 BUDGET TO PEOPLE'S COUNCIL JANUARY 19. SYRIAN MEDIA STRESSED THAT THE BUDGET STRUCK A BALANCE BETWEEN DEFENSE, BASIC NECESSITIES, AND ECONOMIC DEVELOPMENT NEEDS. TOTAL BUDGET OF 17.048 BILLION SP (4.36 BILLION US DOLLARS) IS DIVIDED INTO CURRENT OPERATING EXPENDITURES OF 6.64 BILLION SP (1.7 BILLION DOLLARS) AND INVESTMENT IN ECONOMIC DEVELOPMENT OF 10.404 BILLION SP (2.7 BILLION DOLLARS).

3. DEFENSE OUTLAYS CLAIM ABOUT 60 PERCENT OF THE CURRENT EXPENDITURES SIDE OF THE BUDGET (3.93 BILLION SP, 500M. SP MORE THAN 1976). "AL-BAATH" EDITORIAL NOTED THAT THIS LARGE ALLOCATION FOR DEFENSE DEMONSTRATES THE PRINCIPLE THAT SYRIA IS SUPPORTING THE DEFENSE OF THE ENTIRE ARAB NATION. OTHER MAJOR CURRENT EXPENDITURES INCLUDE EDUCATION, HEALTH, CULTURE, INTERARAB ORGANIZATIONS, LOCAL GOVERNMENT, AND SALARIES, AND OTHER ADMINISTRATION. 600M. SP ARE ALLOTTED FOR PRICE SUPPORTS ON BASIC COMMODITIES.

4. LARGEST SHARES OF ECONOMIC DEVELOPMENT BUDGET WILL GO TO INDUSTRY (2.723 BILLION SP), PETROLEUM AND MINERAL RESOURCES (1.205 B.), ELECTRICITY (952M.) AND AGRICULTURE AND EUPHRATES BASIC PROJECTS (1.125 B.). FEW LARGE NEW PROJECTS ARE ENVISIONED UNDER THE 1977 BUDGET; MOST OF THE AVAILABLE MONIES FOR INVESTMENT AND DEVELOPMENT WILL BE APPLIED TO CONTINUATION OR COMPLETION OF EXISTING PROJECTS.

5. THE BUDGET REVENUES WILL BE DERIVED FROM TAXES, PROFITS
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FROM STATE COMPANIES, EXPORTS OF SYRIAN CRUDE OIL (ESTIMATED 1.835B. S.P. IN 1977), CREDIT FACILITIES, AND FOREIGN LOANS AND GRANTS. MEDIA REPORTS ON THE BUDGET DID NOT GO INTO DETAIL ON ANTICIPATED REVENUES, PARTICULARLY ON FOREIGN TRANSFERS CRITICAL TO ECONOMIC DEVELOPMENT.

6. COMMENT: WE VIEW THIS BUDGET AS A STATEMENT OF INTENT SHOULD ALL REVENUES ANTICIPATED BE ACTUALLY FORTHCOMING. SIMILARLY, THE 1976 BUDGET, AT 16.56B. SP. ASSUMED LARGE SUMS OF FOREIGN AID WHICH ONLY PARTIALLY MATERIALIZED. FURTHERMORE, ANTICIPATED REVENUES WERE DECREASED BY THE LOSS OF IRAQI PIPELINE TRANSIT FEES AND EXPENDITURES WERE INCREASED BY THE PURCHASE OF SAUDI CRUDE AT WORLD MARKET PRICES AND THE COST OF THE INTERVENTION IN LEBANON. NEVERTHELESS, THE 1976 BUDGET WAS NEVER OFFICIALLY REVISED. ACTUAL EXPENDITURES FOR OPERATIONS AND ECONOMIC DEVELOPMENT IN 1976 MAY NOT HAVE EXCEEDED 7 B. S.P. ECONOMIC DEVELOPMENT PROJECTS SUFFERED MOST, SINCE THEY DEPENDED TO A LARGE EXTENT UPON THE IRREGULAR FLOW OF FOREIGN AID AND GRANTS; CURRENT OPERATIONS EXPENDITURES USUALLY

ARE PROTECTED FROM REVENUE SHORTFALLS BY INFLATED ESTIMATES.
THE 1977 BUDGET SUGGESTS THAT THE SYRIAN GOVERNMENT
WAS SOMEWHAT SOBERED BY LAST YEAR'S REVENUE SHORTFALLS;
TEMPERED EXPECTATIONS MAY BE SEEN IN A NOMINAL BUDGET
FIGURE ONLY SLIGHTLY HIGHER THAN IN 1976 AND IN THE
ABSENCE OF LARGE, EXPENSIVE NEW DEVELOPMENT PROJECTS.
WITH CURRENT INFLATION ESTIMATED AT 20-30 PERCENT, AND A
6.8 PERCENT DEVALUATION OF THE SYRIAN POUND IN 1976, THE
BUDGET'S PURCHASING POWER IS AT LEAST ONE HUNDRED MILLION
DOLLARS LESS THAN LAST YEAR'S BUDGET. WE NOTE THAT THE
BUDGET, LONG IN PREPARATION AND SOMEWHAT OVERDUE IN
PROMULGATION, WAS NOT PRESENTED UNTIL AFTER THE ARAB OIL
STATES FIRMED UP PLEDGES TO SYRIA IN THE RECENT RIYADH
AND CAIRO CONFERENCES. SYRIA'S ARAB FRIENDS MUST LIBERALLY
LOOSEN THEIR PURSESTRINGS TO MAKE THE 1977 BUDGET A REALITY.)
END COMMENT.

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